

January 16, 2004

Ms. Zenaida Tapawan-Conway  
California Public Utilities Commission  
Energy Division  
505 Van Ness Avenue  
San Francisco, CA 94102-3298

Subject: Additional Materials in Support of AEV Proposal  
for Lodging Industry Energy Efficiency Programs  
in Service Territories of PG&E and SCG,  
Proposal Reference Numbers 1096-04 and 1098-04

Dear Ms. Tapawan-Conway:

In its letter of January 7, 2004, the California Public Utilities Commission (CPUC) indicated that AEVs proposals for Lodging Industry Energy Efficiency Programs in the service territories of PG&E and SCG had received Primary and Secondary scores that made them eligible for funding consideration for the 2004-2005 program cycle. For 1096-04, the Primary Score was 63.5 and the Secondary Score was 61.0. For 1098-04, the Primary Score was 67.5 and the Secondary Score was 62.0.

The CPUC has offered AEV the opportunity to submit additional materials in support of its Lodging Industry Energy Efficiency proposals. This letter provides the additional support materials. In particular, the CPUC staff has outlined several reasons why it recommended against funding the Lodging Industry Energy Efficiency programs, and we address each reason in turn.

The reasons why the CPUC staff recommended against funding for the Lodging Industry Energy Efficiency Programs were as follows:

- The proposal(s) lacked adequate educational component, which is necessary to help ensure continuation of use of energy efficient measures.
  - The program(s) rely on full vacancy in customer sites in order to fully install proposed measures and to achieve cost effectiveness. Staff questioned the feasibility of this approach.
  - The program(s) offer relatively simple measures for direct installation. Staff believed that funding would be more efficiently used by more comprehensive measure offerings. CFLs and showerheads are increasingly becoming inexpensive and should not be the only components of a direct install program.
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- The proposal(s) lacked adequate description of coordination activities considering possibility of overlap with other lighting programs.
- Amounts of available PGC funding were limited.

We address each reason in turn.

## 1. Educational Component

Our proposed Lodging Industry Energy Efficiency Programs are patterned on the Lodging Industry Education Program that Southern California Gas Company fielded in its service territory for several years. Our proposed programs build on the educational approach of the SCG program. The goal of programs is to increase awareness of efficient technologies, maintenance, and available financial resources among owners and/or operators of small lodging facilities. The educational component of the program is designed to provide independent lodging owners and operators with the tools they can use to make informed decisions about purchase of energy consumption equipment and to put in place practices and procedures that can result in substantial energy savings.

At each lodging facility that we visit, we first make a walk-through inspection of the lodging facility, allowing the field engineer to record specific information about energy-using aspects of the guestrooms (e.g., lighting, showerhead flow rates, space conditioning). The water heating system was also inspected whenever possible. Recommendations regarding energy efficiency improvements are then made based on the existing equipment observed, and worksheets are completed for the recommended improvements, estimating the potential energy savings and payback periods. Available financial assistance programs are discussed and rebate forms reviewed, showing the decision-maker payment options.

Besides this one-to-one interaction with the owner/manager of a lodging facility, the educational component of our programs has several elements.

- As one element of the educational component, each lodging facility that is visited is given recommendations regarding energy efficiency improvements that could be made, given the existing equipment observed. Recommendations pertain to several types of equipment:
  - Indoor lighting
  - Outdoor lighting
  - Showerheads
  - Water heaters
  - Boilers
  - Air conditioners
  - Window film
  - Energy management system

- As a second element of the educational component, a copy of a Smart Lodging Manual is presented to the owner/operator, and its contents are reviewed. The manual includes the following:
  - Introduction;
  - Graphical representations of typical energy use for a motel;
  - Energy conservation strategies, including useful energy reducing and maintenance tips;
  - Step-by-step strategy development;
  - Identification of equipment for which improvements in energy efficiency appeared feasible;
  - Energy savings and payback period worksheets for specific energy efficiency improvements; and
  - Financial assistance information including available rebates, rebate applications for the statewide Express Efficiency Small Business rebate program, low interest financing and equipment leasing options.

Concurrent with the on-site consultations, we produce and distribute newsletters that contain information for small hotels/motels on many aspects of operating and maintaining a lodging facility, with specific details given on possible energy efficiency improvements and utility rebates. The newsletters also contain information on other topics of interest to hotel/motel operation, such as boiler emission regulations, new technologies, useful operation and maintenance tips and available financing. The newsletters are also used to advertise the free on-site energy consultations.

A website is developed to provide another source to which owners and/or operators of lodging facilities can consult for information about making profitable energy-using equipment purchases and about putting in place practices and procedures that can result in substantial energy and cost savings. The newsletters are also posted on this website.

As can be seen, the educational component of our Lodging Industry Energy Efficiency Program is comprehensive and directed at ensuring continuation of the use of energy efficient measures.

## 2. Full Vacancy Assumption

In assessing our proposed Lodging Industry Energy Efficiency Programs, CPUC staff felt that the program relies on full vacancy in customer sites in order to fully install proposed measures and to achieve cost effectiveness. Staff questioned the feasibility of the approach.

In fact, there are considerable periods of the day when rooms in small lodging facilities are not occupied, providing adequate time to install the energy efficient measures that we proposed. Moreover, if a room is occupied, the measures can be installed at the same

time that the lodging facility's housekeeping staff is cleaning the room. Accordingly, full vacancy is not required for the direct installation of the energy efficiency measures to be feasible.

### 3. Measures for Direct Installation

Because we propose to direct install relatively simple measures, CPUC Staff believed that funding would be more efficiently used by more comprehensive measure offerings. In the view of Staff, CFLs and showerheads are increasingly becoming inexpensive and should not be the only components of a direct install program.

Although the measures that we are proposing for direct install are relatively simple, they are also well-suited to informing and educating owners/operators of small lodging facilities about the advantages of energy efficiency. Larger hotels and motels are generally well-informed regarding energy efficiency measures. (For example, Marriott hotels and other large chain hotels have energy managers responsible for improving energy efficiency at the hotels.) However, many small hotels and motels are owned and operated by first-generation immigrants whose primary interest and concentration are on maintaining a profitable operation. With their primary focus on running their business, owners and operators of small hotels and motels generally do not have the time available to read and digest materials mailed to them about energy efficiency. The saturations of energy efficiency measures, even CFLs and showerheads, are therefore relatively low in small hotels and motels.

Nevertheless, most owners of small hotels and motels are business-savvy and responsive to ways to reduce their costs or improve the quality of service they offer their customers. However, they generally need a hands-on demonstration of the efficacy of cost-saving measures. We use the Lodging Industry Energy Efficiency as a more targeted and direct approach to disseminating information on energy efficiency measures. Within this general approach, we use the direct installation of CFLs and showerheads as a means by which owners/operators of small hotels and motels can be provided tangible evidence on the cost effectiveness of energy efficiency measures.

We also would note that the effective useful lives of showerheads are relatively long and, because of this, that the probabilities are low that owners/operators of small hotels/motels will change out showerheads on their own accord if the showerheads are operational and do not need replacing. Through the Lodging Industry Energy Efficiency Program we are therefore accelerating the change-out process to get new, more efficient showerheads into operation earlier than otherwise would be the case.

### 4. Coordination with Other Lighting Programs

In assessing our proposals, CPUC Staff felt that the proposal(s) lacked adequate description of coordination activities considering possibility of overlap with other lighting programs.

In fact, we visualize the Lodging Industry Energy Efficiency Program as complementary to, not competitive with, lighting and other programs. That is, an important aspect of the Program is to provide other programs with qualified leads. We coordinate with the other programs to identify small hotels/motels that have opportunities for installation of more capital-intensive energy efficiency measures than what we install.

To facilitate this coordination, we use our Program Tracking Database, which is a computerized system for tracking and managing the audit work. For this tracking and reporting system, we maintain a Customer Status File that contains a complete and accurate record of specified characteristics for each firm that received an audit. Each record in the Customer Status File contains at least the following information:

- Name of hotel or motel;
- Location of hotel or motel, including street address, city and county;
- Name of contact at hotel or motel;
- Contact's telephone number;
- Customer's PG&E or SCG account number, when available; and
- Size of facility.

The Program Tracking Database that we set up provides the means for working with the other programs to identify audited facilities at which their measures could be implemented. We prepare site-specific reports that the other programs can use to contact hotels and motels we visit and to market the more capital-intensive energy efficiency measures to them.

We recognize that available PGC funding is an important consideration. However, we feel that the Lodging Industry Energy Efficiency Programs will be highly effective in providing energy efficiency services and education to small hotel/motel owners/operators who otherwise would not receive such services.

Very truly yours,

Ivan Varadi  
Principal

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